



# Utah Transit Authority

## Audit Committee

### REGULAR MEETING AGENDA

669 West 200 South  
Salt Lake City, UT 84101

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**Monday, October 16, 2023**

**3:00 PM**

**FrontLines Headquarters**

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UTA Audit Committee will meet in person at UTA FrontLines headquarters (FLHQ) 669 W. 200 S. Salt Lake City, UT. 84101

1. **Call to Order & Opening Remarks** Chair Carlton Christensen
2. **Safety First Minute** Neiufi longi
3. **Consent** Chair Carlton Christensen
  - a. Approval of June 26, 2023 Audit Committee Meeting Minutes
4. **Internal Audit Update**
  - a. Internal Audit Update Mike Hurst
    - Strategic Plan Alignment
    - 2022 Audit Plan Status
    - 2023 Audit Plan Status
    - Other Internal Audit Activities
  - b. 2023 Fraud Risk Assessment Mike Hurst
5. **Internal Audit Report Review**
  - a. Transit Oriented Development Audit Report (20-02) Mike Hurst  
Paul Drake
  - b. Support Fleet Performance Audit Report (22-06) Mike Hurst  
Trice Batty
  - c. Supply Chain Warehouse Performance Audit Report (23-01) Mike Hurst  
Scott Ith  
Johanna Goss
  - d. Recruitment Assessment Report (23-11) Mike Hurst  
Kim Shanklin  
Greg Gerber
6. **Other Business** Chair Carlton Christensen
  - a. Next Meeting: Monday, December 18th, 2023 at 3:00 p.m.

- |           |   |                           |
|-----------|---|---------------------------|
| <b>7.</b> | <b>Closed Session</b>   | Chair Carlton Christensen |
|           | a. Discussion Regarding Deployment of Security Personnel, Devices, or Systems |                           |
| <b>8.</b> | <b>Open Session</b>   | Chair Carlton Christensen |
| <b>9.</b> | <b>Adjourn</b>  | Chair Carlton Christensen |

**Meeting Information:**

- All members of the Audit Committee and meeting presenters will participate in person, however committee members may join electronically as needed with 24 hour advance notice.
- Meeting proceedings may be viewed remotely by following the instructions and link on the UTA Board Meetings page - <https://www.rideuta.com/Board-of-Trustees/Meetings>
- Public Comment will not be taken at this meeting, but general comment may be given online through [www.rideuta.com](http://www.rideuta.com). Comments may also be sent via e-mail to [boardoftrustees@rideuta.com](mailto:boardoftrustees@rideuta.com)
- Special Accommodation: Information related to this meeting is available in alternate format upon request by contacting [adacompliance@rideuta.com](mailto:adacompliance@rideuta.com) or (801) 287-3535. Request for accommodations should be made at least two business days in advance of the scheduled meeting.



U T A

# Utah Transit Authority

## MEETING MEMO

669 West 200 South  
Salt Lake City, UT 84101

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**Audit Committee**

**Date:** 10/16/2023

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**TO:** Audit Committee  
**FROM:** Jana Ostler, Board Manager

**TITLE:**

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**Approval of June 26, 2023 Audit Committee Meeting Minutes**

**AGENDA ITEM TYPE:**

Minutes

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**RECOMMENDATION:**

Approve the minutes of the June 26, 2023 Audit Committee meeting

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**BACKGROUND:**

A regular meeting of the UTA Audit Committee was held in person and broadcast live through the UTA meetings website on Monday, June 26, 2023 at 3:00 p.m. Minutes from the meeting document the actions of the committee and summarize the discussion that took place in the meeting. A full audio recording of the meeting is available on the [Utah Public Notice Website](https://www.utah.gov/pmn/sitemap/notice/841527.html) [<https://www.utah.gov/pmn/sitemap/notice/841527.html>](https://www.utah.gov/pmn/sitemap/notice/841527.html) and video feed is available through the UTA Meetings website at <https://rideuta.com/Board-of-Trustees/Meetings>

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**ATTACHMENTS:**

2023-06-26\_AUDIT\_Minutes\_UNAPPROVED



# Utah Transit Authority

## Audit Committee

### MEETING MINUTES - Draft

669 West 200 South  
Salt Lake City, UT 84101

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**Monday, June 26, 2023**

**3:00 PM**

**FrontLines Headquarters**

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**Present:** Chair Carlton Christensen  
Beth Holbrook  
**Excused:** Jeff Acerson  
**Remote:** Mark Johnson  
Troy Walker

Also attending were UTA staff and interested community members.

#### **1. Call to Order & Opening Remarks**

Trustee Beth Holbrook welcomed attendees and called the meeting to order at 3:25 p.m. She apologized for the delayed start which was due to members experiencing transportation difficulties which resulted in a lack of a quorum at the scheduled start time. Trustee Holbrook noted she will be acting as chair in the absence of Chair Christensen who joined the meeting later. Trustee Holbrook announced this is an in-person, recorded meeting, with live viewing available online. It was noted Committee Members Troy Walker and Mark Johnson were participating remotely.

#### **2. Safety First Minute**

Kyle Brimley, UTA IT Director, delivered a brief safety message.

#### **3. Consent**

##### **a. Approval of March 6, 2023 Audit Committee Meeting Minutes**

A motion was made by Troy Walker and seconded by Mark Johnson to approve the consent agenda. The motion carried unanimously.

#### **5. Internal Audit Update**

- a. Internal Audit Update**
  - 2022 Audit Plan Status
  - 2023 Audit Plan Status and Strategic Plan Alignment
  - Status of 2022 Internal Audit Quality Assurance
  - Other Internal Audit Activities

Trustee Holbrook announced agenda item 4, Audit Approval, would be moved down the agenda due to members of the presenters being delayed.

##### **2022 Audit Plan Status**

Mike Hurst, UTA Internal Audit Director, provided an update on the 2022 audit plan. This included the Bus Operations project which is complete and will be presented

during this meeting, and the Transit Oriented Development (TOD) Project which is completed pending a report to be presented at the October 2023 Audit Committee meeting.

**2023 Audit Plan Status and Strategic Plan Alignment**

Mr. Hurst provided a presentation detailing the 2023 audit plan and project status. His report included continued, new, special, and outsourced projects. Some of these projects are already completed, in progress, or with a scheduled start date in 2023.

Mr. Hurst referred to UTA's 2022-2030 Strategic Plan and the five strategic priorities and how the 2023 audit plan projects aligns within the five priorities. He mentioned the 2023 audit plan was created prior to the strategic plan roll out and the 2024 audit plan will more closely align with the key strategic priorities.

**Status of 2022 Internal Audit Quality Assurance**

Mr. Hurst referenced the Quality Assurance and Improvement Program (QAIP) plan which is an annual internal self-assessment required by auditing standards set by the Institute of Internal Auditors.

Mr. Hurst noted the seven self-recommendations for 2022 were presented in the March 2023 audit committee meeting, and detailed how these recommendations were addressed which was through employee surveys, training, standard operating procedures (SOPs), and assurance activities.

**Other Internal Audit Activities**

Mr. Hurst spoke to other internal audit activities which included Safety Certification Training for internal audit staff, a sales tax refund project, and Equal Employment Opportunity (EEO) investigations and related governance.

Mr. Hurst stated he was recently certified under the Federal Transit Administration (FTA), to perform safety audits. Other members of the audit team will complete this safety certification training next year.

Mr. Hurst reported on the sales tax refund project which included a review of staff purchase card transactions where taxes were paid on goods and services. He noted many of these payments were inadvertent or unavoidable. A request has been submitted to the Utah Tax Commission for reimbursement of these taxes paid.

Trustee Holbrook inquired if SOPs are in place for purchase card holders. Mr. Hurst responded by stating the procurement department does well in explaining the procedures to staff and the majority of the sales tax charges were inadvertent. The audit team is working with procurement to look at improving controls in addition to accounting to develop a system to apply for refunds of taxes paid.

Under Equal Employment Opportunity (EEO) investigations and related governance,

Mr. Hurst announced 10 investigations were completed between 3/1/23 - 5/31/23.

**6. Internal Audit Report Review**

**a. Recruitment Assessment - Part 1**

Chair Christensen joined the meeting.

Mr. Hurst was joined remotely by Brianna Magil, and associated staff from North Highland, to provide a report on the Talent Recruitment Assessment.

Ms. Magil outlined the project purpose which is an assessment of the talent acquisition function in response to hiring challenges over the past few years. The assessment reaffirms what's working well, and provides detailed findings and recommendations on how to improve the overall effectiveness of UTA's talent acquisition strategy and process.

Mr. Hurst announced he and the People Office will work together to review the report and provide a management response, which will be presented to the Audit Committee at the October 2023 meeting.

Questions relating to the team structure, data entry resources, and the applicant tracking system, were posed by the Committee and answered by Ms. Magil.

**b. Bus Operations Audit Report**

Johanna Goss, UTA Senior Internal Auditor, presented the Bus Operations audit report and associated findings. She detailed the audit scope, discoveries, and recommendations from the audit which was conducted during a review period of 8/1/21 - 10/31/22.

Questions relating to emergency drills and associated SOPs, ground communications, and the procurement of an ADA announcement system, were posed by the committee and answered by staff.

**c. IT General Controls Audit Report**

Mike Hurst was joined by Kyle Brimley, UTA IT Director, to present the IT General Controls Audit Report.

Mr. Hurst detailed the audit scope, results, and action plans from the audit which was conducted during a review period of 4/1/22 - 11/30/22. It was noted results of testing key controls, centered around user access, system security, and vulnerabilities, demonstrated that important key components were in place.

Chair Christensen inquired as to next steps on this project. Mr. Hurst reported the project is marked as closed so no further action is required. Mr. Brimley stated the IT department is always actively working on system improvements.

**d. Capital Projects Audit Report**

Mike Hurst was joined by Luke Barber, UTA Senior Internal Auditor, and Dan Hofer, UTA Director of Capital Assets & Project Controls, to present the Capital Projects Audit Report.

Mr. Hurst stated this is the audit phase of a preliminary audit assessment completed in 2021 and a follow up on the status of recommendations with limited control testing. He further noted the original preliminary assessment focused on capital projects organization-wide whereas this phase focuses on Mr. Hofer's team and their controlled environment.

Mr. Barber reviewed the audit scope which included any changes made in the governance between the preliminary phase and the audit phase in addition to following up on recommendations from the preliminary audit.

Findings and recommendations status was reviewed. These included the fulfillment of a new position for a Project Control Specialist in addition to the process for requesting funds for Capital Projects

Questions relating to the capital budget request manual, underutilized capital projects funds (committed versus actuals), and formatting for budget reporting, were posed by the committee and answered by Mr. Hofer.

**4. Audit Approval****a. 2022 UTA Annual Comprehensive Financial Report (ACFR) and National Transit Database (NTD) Agreed Upon Procedure Report**

Mr. Troy Bingham, UTA Comptroller, introduced Mr. Brad Schelle, Engagement Signing Partner, Crowe LLP, who presented the 2022 UTA Annual Comprehensive Financial Report (ACFR) and National Transit Database (NTD) Agreed Upon Procedure Report.

Mr. Schelle presented the audit results which showed a clean opinion report with no material weaknesses. Five minor deficiencies were communicated verbally, in addition to two posted audit adjustments, and two observations noted in the NTD report.

A question relating to the deficiencies was posed by Chair Christensen and answered by Mr. Schelle.

Mr. Bingham announced physical copies of the financial report are available for committee members.

He referenced the following pages of note in the report:

Page 35 - Statement of net position. \$505 million unrestricted assets for future allocations.

Page 60 - New note for leasing. Designated finances and agreements for leasing.

Page 103 - Debt per capita. \$904.76 (Wasatch front).

A motion was made by Trustee Holbrook and seconded by Committee Member Johnson to recommend the 2022 UTA ACFR and NTD Agreed Upon Procedure Report for approval. The motion carried unanimously.

**7. Other Business**

- a. Next Meeting: Monday, October 16th, 2023 at 3:00 p.m.

**8. Adjourn**

A motion was made by Trustee Holbrook and seconded by Committee Member Johnson to adjourn the meeting. The motion carried by a unanimous vote and the meeting adjourned at 5:01 p.m.

Transcribed by Hayley Mitchell  
Executive Assistant to the Board  
Utah Transit Authority

This document is not intended to serve as a full transcript as additional discussion may have taken place; please refer to the meeting materials and audio located at <https://www.utah.gov/pmn/sitemap/notice/841527.html> for entire content.

Meeting materials along with a time-stamped video recording may also be accessed at [https://rideuta.granicus.com/player/clip/236?view\\_id=1&redirect=true&h=509a0a44d5b9bd10a041ec2e829f2bc9](https://rideuta.granicus.com/player/clip/236?view_id=1&redirect=true&h=509a0a44d5b9bd10a041ec2e829f2bc9)

This document along with the digital recording constitute the official minutes of this meeting.

Approved Date:

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Carlton J. Christensen  
Chair, Board of Trustees





U T A

# Utah Transit Authority

669 West 200 South  
Salt Lake City, UT 84101

## MEETING MEMO

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**Audit Committee**

**Date:** 10/16/2023

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**TO:** Audit Committee  
**THROUGH:** Jay Fox, Executive Director  
**FROM:** Mike Hurst, Director of Internal Audit  
**PRESENTER(S):** Mike Hurst, Director of Internal Audit

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**TITLE:**

**Internal Audit Update**

- Strategic Plan Alignment
- 2022 Audit Plan Status
- 2023 Audit Plan Status
- Other Internal Audit Activities

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**AGENDA ITEM TYPE:**

Report

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**RECOMMENDATION:**

Informational item for discussion

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**BACKGROUND:**

Internal Audit will report on activities completed or in progress since the last Audit Committee meeting, which was held on June 26, 2023. The discussion will report on the status of the 2022 and 2023 audit plan projects, completion of employee financial disclosures, the status of the sales tax refund, status of Internal Audit staff safety training, and a high-level update on discrimination and harassment investigations completed by Internal Audit.

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**DISCUSSION:**

Internal Audit will report on activities since the last Audit Committee meeting.

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**ALTERNATIVES:**

Not applicable

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**FISCAL IMPACT:**

Not applicable

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**ATTACHMENTS:**

None



U T A

# Utah Transit Authority

## MEETING MEMO

669 West 200 South  
Salt Lake City, UT 84101

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**Audit Committee**

**Date:** 10/16/2023

---

**TO:** Audit Committee  
**THROUGH:** Jay Fox, Executive Director  
**FROM:** Mike Hurst, Director of Internal Audit  
**PRESENTER(S):** Mike Hurst, Director of Internal Audit

**TITLE:**

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**2023 Fraud Risk Assessment**

**AGENDA ITEM TYPE:**

Report

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**RECOMMENDATION:**

Informational report for discussion.

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**BACKGROUND:**

The Office of the State (Utah) Auditor produces a fraud risk assessment checklist that government agencies can complete to define the extent and measure the effectiveness of internal controls designed to reduce the risk of fraud, abuse, and regulatory noncompliance. Internal Audit completes this checklist annually with assistance from the Finance Office.

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**DISCUSSION:**

The results of the 2023 fraud risk assessment will be shared with the Audit Committee.

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**ALTERNATIVES:**

Not applicable

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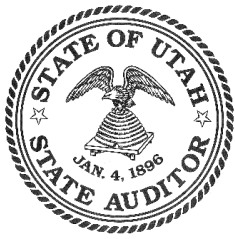
**FISCAL IMPACT:**

Not applicable

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**ATTACHMENTS:**

UTA 2023 Fraud Risk Assessment completed



## Fraud Risk Assessment

### INSTRUCTIONS:

- Reference the *Fraud Risk Assessment Implementation Guide* to determine which of the following recommended measures have been implemented.
- Indicate successful implementation by marking “Yes” on each of the questions in the table. Partial points may not be earned on any individual question.
- Total the points of the questions marked “Yes” and enter the total on the “Total Points Earned” line.
- Based on the points earned, circle/highlight the risk level on the “Risk Level” line.
- Enter on the lines indicated the entity name, fiscal year for which the Fraud Risk Assessment was completed, and date the Fraud Risk Assessment was completed.
- Print CAO and CFO names on the lines indicated, then have the CAO and CFO provide required signatures on the lines indicated.

# Fraud Risk Assessment

Continued

\*Total Points Earned: \_\_\_\_/395 \*Risk Level: Very Low Low Moderate High Very High  
> 355 316-355 276-315 200-275 < 200

	Yes	Pts
1. Does the entity have adequate basic separation of duties or mitigating controls as outlined in the attached Basic Separation of Duties Questionnaire?		200
2. Does the entity have governing body adopted written policies in the following areas:		
a. Conflict of interest?		5
b. Procurement?		5
c. Ethical behavior?		5
d. Reporting fraud and abuse?		5
e. Travel?		5
f. Credit/Purchasing cards (where applicable)?		5
g. Personal use of entity assets?		5
h. IT and computer security?		5
i. Cash receipting and deposits?		5
3. Does the entity have a licensed or certified (CPA, CGFM, CMA, CIA, CFE, CGAP, CPFO) expert as part of its management team?		20
a. Do any members of the management team have at least a bachelor's degree in accounting?		10
4. Are employees and elected officials required to annually commit in writing to abide by a statement of ethical behavior?		20
5. Have all governing body members completed entity specific (District Board Member Training for local/special service districts & interlocal entities, Introductory Training for Municipal Officials for cities & towns, etc.) online training ( <a href="http://training.auditor.utah.gov">training.auditor.utah.gov</a> ) within four years of term appointment/election date?		20
6. Regardless of license or formal education, does at least one member of the management team receive at least 40 hours of formal training related to accounting, budgeting, or other financial areas each year?		20
7. Does the entity have or promote a fraud hotline?		20
8. Does the entity have a formal internal audit function?		20
9. Does the entity have a formal audit committee?		20

\*Entity Name: \_\_\_\_\_

\*Completed for Fiscal Year Ending: \_\_\_\_\_ \*Completion Date: \_\_\_\_\_

\*CAO Name: \_\_\_\_\_ \*CFO Name: \_\_\_\_\_

\*CAO Signature: \_\_\_\_\_ \*CFO Signature: \_\_\_\_\_

\*Required

# Basic Separation of Duties

See the following page for instructions and definitions.

	Yes	No	MC*	N/A
1. Does the entity have a board chair, clerk, and treasurer who are three separate people?				
2. Are all the people who are able to receive cash or check payments different from all of the people who are able to make general ledger entries?				
3. Are all the people who are able to collect cash or check payments different from all the people who are able to adjust customer accounts? If no customer accounts, check "N/A".				
4. Are all the people who have access to blank checks different from those who are authorized signers?				
5. Does someone other than the clerk and treasurer reconcile all bank accounts OR are original bank statements reviewed by a person other than the clerk to detect unauthorized disbursements?				
6. Does someone other than the clerk review periodic reports of all general ledger accounts to identify unauthorized payments recorded in those accounts?				
7. Are original credit/purchase card statements received directly from the card company by someone other than the card holder? If no credit/purchase cards, check "N/A".				
8. Does someone other than the credit/purchase card holder ensure that all card purchases are supported with receipts or other supporting documentation? If no credit/purchase cards, check "N/A".				
9. Does someone who is not a subordinate of the credit/purchase card holder review all card purchases for appropriateness (including the chief administrative officer and board members if they have a card)? If no credit/purchase cards, check "N/A".				
10. Does the person who authorizes payment for goods or services, who is not the clerk, verify the receipt of goods or services?				
11. Does someone authorize payroll payments who is separate from the person who prepares payroll payments? If no W-2 employees, check "N/A".				
12. Does someone review all payroll payments who is separate from the person who prepares payroll payments? If no W-2 employees, check "N/A".				

\* MC = Mitigating Control

# Basic Separation of Duties

## Continued

**Instructions:** Answer questions 1-12 on the Basic Separation of Duties Questionnaire using the definitions provided below.

☺ If all of the questions were answered “Yes” or “No” with mitigating controls (“MC”) in place, or “N/A,” the entity has achieved adequate basic separation of duties. Question 1 of the Fraud Risk Assessment Questionnaire will be answered “Yes.” 200 points will be awarded for question 1 of the Fraud Risk Assessment Questionnaire.

☹ If any of the questions were answered “No,” and mitigating controls are not in place, the entity has not achieved adequate basic separation of duties. Question 1 of the Fraud Risk Assessment Questionnaire will remain blank. 0 points will be awarded for question 1 of the Fraud Risk Assessment Questionnaire.

## Definitions:

**Board Chair** is the elected or appointed chairperson of an entity’s governing body, e.g. Mayor, Commissioner, Councilmember or Trustee. The official title will vary depending on the entity type and form of government.

**Clerk** is the bookkeeper for the entity, e.g. Controller, Accountant, Auditor or Finance Director. Though the title for this position may vary, they validate payment requests, ensure compliance with policy and budgetary restrictions, prepare checks, and record all financial transactions.

**Chief Administrative Officer (CAO)** is the person who directs the day-to-day operations of the entity. The CAO of most cities and towns is the mayor, except where the city has a city manager. The CAO of most local and special districts is the board chair, except where the district has an appointed director. In school districts, the CAO is the superintendent. In counties, the CAO is the commission or council chair, except where there is an elected or appointed manager or executive.

**General Ledger** is a general term for accounting books. A general ledger contains all financial transactions of an organization and may include sub-ledgers that are more detailed. A general ledger may be electronic or paper based. Financial records such as invoices, purchase orders, or depreciation schedules are not part of the general ledger, but rather support the transaction in the general ledger.

**Mitigating Controls** are systems or procedures that effectively mitigate a risk in lieu of separation of duties.

**Original Bank Statement** means a document that has been received directly from the bank. Direct receipt of the document could mean having the statement 1) mailed to an address or PO Box separate from the entity’s place of business, 2) remain in an unopened envelope at the entity offices, or 3) electronically downloaded from the bank website by the intended recipient. The key risk is that a treasurer or clerk who is intending to conceal an unauthorized transaction may be able to physically or electronically alter the statement before the independent reviewer sees it.

**Treasurer** is the custodian of all cash accounts and is responsible for overseeing the receipt of all payments made to the entity. A treasurer is always an authorized signer of all entity checks and is responsible for ensuring cash balances are adequate to cover all payments issued by the entity.





# Utah Transit Authority

## MEETING MEMO

669 West 200 South  
Salt Lake City, UT 84101

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**Audit Committee**

**Date:** 10/16/2023

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**TO:** Audit Committee  
**THROUGH:** Jay Fox, Executive Director  
**FROM:** Mike Hurst, Director Internal Audit  
**PRESENTER(S):** Mike Hurst, Director Internal Audit  
Paul Drake, Director of Real Estate & TOD

**TITLE:**

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**Transit Oriented Development Audit Report (20-02)**

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**AGENDA ITEM TYPE:**

Report

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**RECOMMENDATION:**

Informational report for discussion.

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**BACKGROUND:**

Internal Audit completed a preliminary assessment of Transit Oriented Development (TOD) in July 2020. The audit phase was postponed in 2021. By 2022, the TOD department had several changes that made the results of the preliminary assessment obsolete. The 2022 audit phase was conducted to focus on department governance, compliance with law changes, and how potential conflicts of interest are handled. Additional topics will be explored in a new project on the 2024 Audit Plan.

Conflict of interest mitigation is the responsibility of Internal Audit, so an outside agency, Utah Department of Transportation (UDOT) completed that portion of the audit. This report will share the results of Internal Audit's report and UDOT's report.

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**DISCUSSION:**

Internal Audit will report on observations and recommendations from the audit.

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**ALTERNATIVES:**

Not applicable.

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**FISCAL IMPACT:**

Not applicable

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**ATTACHMENTS:**

R-20-02\_Transit Oriented Development Audit Report

F2 - UTA Report (UDOT)



# **INTERNAL AUDIT**

## **Audit Report of Transit Oriented Development**

**R-20-02**

**June 5, 2023**

## Table of Contents

Executive Summary

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## Rating Matrix

Descriptor	Guide
<b>High</b>	Matters considered being fundamental to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within three months.
<b>Medium</b>	Matters considered being important to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within six months.
<b>Low</b>	Matters considered being of minor importance to the maintenance of internal control or good corporate governance or that represents an opportunity for improving the efficiency of existing processes. These matters should be subject to agreed remedial action and further evaluation within twelve months.

## Distribution List

Title	For Action <sup>1</sup>	For Information	Reviewed prior to release
Executive Director		*	*
Director of Real Estate and Transit Oriented Development	*		
Records Manager			*
Chief Service Development Officer		*	

<sup>1</sup>For Action indicates that a person is responsible, either directly or indirectly depending on their role in the process, for addressing an audit finding

# Executive Summary

## Introduction

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As part of the 2020 audit plan, Internal Audit (IA) was directed by the Board of Trustees to perform an audit to determine if controls over the Transit-Oriented Development (TOD) process are designed adequately and operating effectively to ensure compliance with federal regulations, state laws, and internal policies and procedures as well as to support the achievement of management objectives. The preliminary stage of the audit was concluded in June 2020. Due to scheduling challenges and other changes to IA the audit phase of this audit was scheduled to be performed during the 2022 Audit Plan which was approved by the Audit Committee January 31, 2022.

The audit phase was concluded on January 17, 2023 and was conducted in accordance with the International Standards for the Professional Practice of Internal Audit, published by the Institute of Internal Auditors.

## Background and Functional Overview

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To encourage transit ridership, improve air quality, and promote sustainable economic development within our communities, the State of Utah has given UTA authorization to participate in real estate development projects that support transit. As of 2021 UTA owns 828 properties comprising 2,527 total acres, of which 153 acres have been identified as suitable for Transit Oriented Development uses. The Transit-Oriented Development (TOD) division is within the Real Estate Department (RED) and administers all TOD efforts including planning, implementation, and management of TOD projects. The TOD division works with local municipalities to prepare station areas for TOD by tracking and reporting station readiness and defining a shared vision of areas roughly one-half mile around each transit station. These Station Area Plans (SAP) are reviewed and approved by the local municipality, UTA's Local Advisory Council, and UTA's Board of Trustees (the "Board"). The TOD team then pursues development of sites approved by the Board by working alongside UTA's publicly procured development partners, local elected officials and staff, as well as other UTA departments to plan, design, finance, construct, and manage TOD projects. Revenues generated from TOD efforts are reinvested into the transit system.

## Objectives and Scope

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The primary areas of focus for the Transit-Oriented Development audit were to determine if the TOD policies and procedures followed State law. To accomplish this IA reviewed 2019 Board of Trustees policy 5.1 and broke the audit down by the following areas contained within that policy.

- Governance
- System Analysis Tool (SAT)
- Site & Financial Management<sup>1</sup>
- Conflict of Interest Oversight<sup>2</sup>

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<sup>1</sup> No current TOD projects have expenditures. While this area was considered, no significant audit activity was necessary.

<sup>2</sup> Conflict of Interest Oversight is accomplished through the UTA Financial Disclosure process. Because IA oversees and manages this process an external auditor from the Utah Department of Transportation has been asked to review the Financial Disclosure process. Their audit will be reported separate from this report.

IA reviewed internal policies and procedures, legal and regulatory requirements, interviewed personnel, department leadership, and evaluated control documents to complete this audit.

## Summary

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When the Preliminary Assessment (PA) was completed in 2020 the recommendations consisted of primarily creating standard operating procedures (“SOP”) and policy to guide the TOD process. Since that PA was completed, TOD has had significant changes to governing laws and how processes are conceptualized. This audit is best understood as a new project based on current conditions and not a continuation of the preliminary assessment.

During the initial audit meetings with the director of Real Estate and Transit Oriented Development (TOD), it was requested that IA perform an independent analysis and comparison of recent state law, the current TOD Policy and an updated policy that was proposed on August 26, 2022. The Utah State Legislature passed Utah Housing Affordability Amendments (HB462) during the 2022 legislative session. Among other things, this bill requires municipalities to create a General Plan that addresses the major transit investment corridors and any “fixed guideway public transit stations” (“stations”) within their boundaries. Municipalities with any stations located in their boundaries must also develop a separate SAP for the properties falling within a ¼ mile radius of any bus station and properties within ½ mile radius of any train station. The deadline to develop and adopt the SAP(s) varies depending on how many stations are within the municipality’ boundaries, but all municipalities with 4 or fewer stations are required to create and adopt the SAP(s) by the year end of 2025.

Under current policy UTA’s TOD department uses an internally developed software application called the System Analysis Tool (SAT) to identify and prioritize which stations to focus their efforts on. The use of the SAT was previously the primary driver in developing SAP and pursuing the next steps of developing transit-oriented projects. Because the SAT was a tool designed by UTA’s TOD department for our own use the current policy places much of the responsibility for TOD development on UTA, however the most recent Utah State statute shifts much of the initial responsibility for creating SAPs and identifying properties ready for TOD use onto the local governments and municipalities. UTA’s TOD department may continue to assist the municipalities in creating the SAPs, but overall, these statute changes make the SAT unnecessary.

TOD is working to update Board of Trustees policy 5.1 to conform to current Utah statute. Once this policy is adopted, IA will review it for compliance with Utah statute.

Overall, IA found that TOD takes a responsible and compliant approach to TOD development through the drafting and adoption of governance policies. We have no recommendations in the areas reviewed.



State of Utah

SPENCER J. COX  
Governor

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Lieutenant Governor

## DEPARTMENT OF TRANSPORTATION

CARLOS M. BRACERAS, P.E.  
*Executive Director*

TERIANNE S. NEWELL, P.E.  
*Deputy Director of Planning and Investment*

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*Deputy Director of Engineering and Operations*

June 20, 2023

Carlton Christensen, Chair of the Board of Director of Trustees  
Utah Transit Authority  
[Carlton@rideuta.com](mailto:Carlton@rideuta.com)

SUBJECT: UDOT Internal Audit Division's evaluation of the UTA Conflict of Interest Review Process

Mr. Christensen,

In December of 2022, the UTA Internal Audit Director requested the UDOT Internal Audit Division to review their role to identify conflicts of interest with transit oriented development projects. We completed our review for the period of December 2022 to April 2023. We conducted the review in accordance with GAGAS standards for attestation engagements.

Attached is our official report and UTA Internal Audit's responses (Action Plan). We believe their responses will adequately address the recommendations we issued in the report.

Please let me know if you have any questions or would like to have an exit conference to discuss this review.

Sincerely,

A handwritten signature in black ink, appearing to read "Shane Young".

Shane T. Young, CIA, CFE, CISA  
Performance Audit Director

STY/lf

Cc: Mike Hurst, Internal Audit Director, UTA  
Luke Barber, Senior Auditor, UTA  
Carlos Braceras, Executive Director, UDOT

# UTA Conflict of Interest Process Review

## Introduction

The Utah Transit Authority (UTA) Internal Audit office (IA) is responsible for identifying and managing conflicts of interest (COI) within UTA. UTA IA requested Utah Department of Transportation Internal Audit Division perform a high-level review of its COI identification/management process, especially as it relates to Transit Oriented Developments. Transit-Oriented Development (“TOD”) refers to a mixed-use development center located near a transit station that is designed to increase access to and from transit. Members of UTA’s Board of Trustees (Board) and Local Advisory Council (LAC) make decisions regarding TOD projects.

## Engagement Scope & Objectives

The scope of this engagement involved a review of the following:

1. The sufficiency of UTA’s policy, procedures, and training for managing conflicts of interest (COI) as they relate to Transit Oriented Developments (TOD).
2. The appropriateness of UTA Internal Audit’s role to manage and manage COIs.

## Summary

We found that UTA policies, procedures, and training cover the expectations of the Utah’s Public Officers’ and Employees’ Ethics Act. According to the explanation of the process that the UTA IA provided to us, UTA IA appears to have appropriate policy and procedures in place for identifying and managing conflicts of interest with TOD projects. IA’s role appears to comply with a Legislative Audit directive<sup>1</sup> to take a more visible role in this process.

The following may help further strengthen UTA’s controls regarding conflicts of interest; 1) Define applicability of State Code in ethics policy. 2) Specify in training curriculum when to disclose conflicts of interest. 3) Maintain accurate training records. Details for these recommendations are included below.

## Recommendations

### 1. Define Applicability of State Code in Ethics Policy

The *UTA Ethics Policy* does not reference *Utah State Code 67 chapter 16* as required by the *State Auditor’s Fraud Assessment Implementation Guide*. *Utah Code 17B-2a-814* states that each trustee, officer, and employee of a public transit district is subject to the provisions of *Title 67, Chapter 16, Utah Public Officers’ and Employees’ Ethics Act*. *Utah Code 67 chapter 16* prohibits the Board from having financial interest in transactions engaged in by UTA.

The *Utah State Auditor Fraud Assessment Implementation Guide* states that agencies’ COI/Ethics policy should contain reference to the *Title 67, Chapter 16, Utah Public Officer and Employees Ethics Act*.

**Recommendation:** The UTA ethics policy should reference the *Utah Officers’ and Employees’ Ethics Act (Utah Code 67 chapter 16)*.

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<sup>1</sup> Utah Legislative Audit Office - A Performance Audit of the Utah Transit Authority (2014) pg ii



## 2. Specify in Training Curriculum When to Disclose COIs

According to *Utah Code 67-16-7*, public officers and employees should disclose conflicts of interest during any of the following: (1) “(a) upon first becoming a public officer or public employee; (b) whenever the public officer's or public employee's position in the business entity changes significantly; and (c) if the value of the public officer's or public employee's interest in the entity increases significantly.”

*Utah State Auditor Fraud Assessment Implementation Guide* (SAFAIG) and *UTA Ethics Policy* specify that conflicts of interest must be reported as they arise.

UTA IA's process involves asking employees to complete disclosures at the beginning of employment and once a year on or before 31 October.

UTA ethics (COI) training explains that potential conflicts should be disclosed. However, training does not specify that employees should disclose conflicts of interest as conflicts arise and not only once per year as required in *Utah Code 67-16-7 (1) (a), (b), (c)*, *SAFAIG*, and *UTA Ethics Policy*.

UTA may not be able to rely on the accuracy of conflict of interest disclosures to detect potential risks with TOD projects if employees do not update the COI forms when new conflicts arise. In addition, when policy and the training do not align, it may result in unclear expectations for when disclosures are required.

**Recommendation:** Revise the training to communicate that employees must disclose conflicts of interest as conflicts arise, and not only once per year.

## 3. Maintain Accurate Training Records

According to *Utah State Auditor's Risk Assessment Implementation Guide*, “Maintaining an ethical environment requires setting an example and communicating proper expectations at every level of the organization. Training and re-enforcement of ethical standards must be continuous and applicable.”

By requiring yearly COI/ethics training, UTA has determined it is important for its employees to stay aware of expectations regarding conflicts of interest. However, there may be limitations to UTA's ability to track and follow up on training completion. According to the UTA IA Director, the computer system which retains training records is unable to provide a complete and accurate report of employees who have received training in the past.

As a result, it is currently impossible to know the extent to which individuals have received sufficient training regarding conflicts of interest. It is therefore not possible to follow up with employees to ensure they complete COI training. Additionally, the lack of complete records hinders IA's ability to use those records as evidence in the state auditor's *Fraud Risk Assessment Questionnaire*, that UTA employees are abiding by the code of ethics.

**Recommendation:** If UTA determines it is important for employees to receive adequate training regarding COI expectations, UTA should maintain accurate training completion records and follow up to ensure completion of training.

*The contents of this report are confidential, protected, or classified in accordance with the Utah Government Records Access Management Act. If you are not the intended recipient of this report, please do not print, copy, share, or disseminate the contents of the report. Please notify the Department of Transportation Internal Audit Division to return this report at 801-965-4012.*

# UTA Internal Audit Response to Recommendations– Action Plans

## **Recommendation #1**

The UTA ethics policy should reference the *Utah Officers' and Employees' Ethics Act (Utah Code 67 chapter 16)*.

### **Action Plan:<sup>2</sup>**

The UTA Ethics policy is currently being revised. The policy will include a reference to *Utah Officers' and Employees' Ethics Act (Utah Code 67 chapter 16)* as an overarching standard of ethical conduct.

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## **Recommendation #2**

Revise the training to communicate that employees must disclose conflicts of interest as conflicts arise, and not only once per year.

### **Action Plan:**

Internal Audit will work with the Talent Development department to update The UTA Ethics training with more clearly and strongly communicated requirements to disclose conflicts of interest. The training will be updated following the adoption of the updated Ethics policy.

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## **Recommendation #3**

If UTA determines it is important for employees to receive adequate training regarding COI expectations, UTA should maintain accurate training completion records and follow up to ensure completion of training.

### **Action Plan:**

Internal Audit will work with the Talent Development department to have quarterly training reports provided. These reports will be used to monitor completion rates and provide reminders as needed. This will be done when the training is updated.

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<sup>2</sup> Responses provided to UDOT Internal Audit by Mike Hurst, UTA Internal Audit Director



# Utah Transit Authority

## MEETING MEMO

669 West 200 South  
Salt Lake City, UT 84101

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**Audit Committee**

**Date:** 10/16/2023

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**TO:** Audit Committee  
**THROUGH:** Jay Fox, Executive Director  
**FROM:** Mike Hurst, Director Internal Audit  
**PRESENTER(S):** Mike Hurst, Director Internal Audit  
Trice Batty, Manager Non-Revenue Fleet Performance & Maintenance

**TITLE:**

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**Support Fleet Performance Audit Report (22-06)**

**AGENDA ITEM TYPE:**

Report

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**RECOMMENDATION:**

Informational report for discussion

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**BACKGROUND:**

Internal Audit conducted a performance audit of Support Fleet in June 2022. The next phase of the audit was completed in August 2023 and focused on follow-up on issues from the 2022 report, testing of key controls, and a risk and fraud risk assessment of the department. Additional audit work will be completed in 2024.

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**DISCUSSION:**

Internal Audit will report on observations and recommendations from the audit.

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**ALTERNATIVES:**

Not applicable

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**FISCAL IMPACT:**

Not applicable

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**ATTACHMENTS:**

R-22-06 - Support Fleet Report UTA Audit Phase



# **INTERNAL AUDIT**

## **Performance Audit of Support Fleet**

**R-22-06**

**August 16, 2023**

## Table of Contents

Executive Summary	3
Attachment A: Detail of Recommendations	4
Attachment B: Residual Value by Mileage and Year	15

## Rating Matrix

Descriptor	Guide
<b>High</b>	Matters considered being fundamental to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within three months.
<b>Medium</b>	Matters considered being important to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within six months.
<b>Low</b>	Matters considered being of minor importance to the maintenance of internal control or good corporate governance or that represents an opportunity for improving the efficiency of existing processes. These matters should be subject to agreed remedial action and further evaluation within twelve months.

## Distribution List

Title	For Action	For Information	Reviewed prior to release
Executive Director		*	*
Chief Financial Officer		*	
Chief Service Development Officer		*	
Manager Capital Assets & Project Control	*		
Fleet Vehicle Administrator	*		
Records Manager			*

## Executive Summary

### Introduction

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The Audit Committee directed Internal Audit (“IA”) to conduct a performance audit to determine if controls over support fleet management are designed adequately and operating effectively to ensure compliance with internal policies and procedures as well as to support the achievement of management objectives. The Audit Plan was approved by the Audit Committee on January 31, 2022. This audit phase was completed June 7, 2022.

A second phase of the audit was approved as part of the 2023 Audit Plan approved by the Audit Committee on December 12, 2022. This audit phase was completed July 31, 2023 and was conducted in accordance with the International Standards for the Professional Practice of Internal Audit, published by the Institute of Internal Auditors.

### Background and Functional Overview

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The purpose of the UTA non-revenue support fleet is to support the day-to-day operations and maintenance of the organization. The non-revenue support fleet is a diverse group of vehicles, which includes police vehicles, maintenance vehicles such as bucket trucks, street sweepers, and tractors, maintenance trucks, and cars used at various facilities, and both assigned and pool vehicles used by employees. The total support fleet size is approximately 876 vehicles as of 8/16/2023 which includes 97 vehicles and three trailers assigned to the police department and 205 ancillary items such as trailers.

### Objectives and Scope

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The period of this phase of the performance audit focused on activity between July 1, 2022, to May 31, 2023. Additional periods were reviewed as necessary.

This audit phase focused on determining the current status of recommendations and action plans from the 2022 audit report. Additionally, audit testing was conducted of key controls already existing, including accuracy of vehicle data, vehicle registration and emissions paperwork, and driver licensure.

### Summary

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IA found significant progress has been made toward fulfilling action plans from the 2022 audit report. Notably, management is implementing a foundation for strong, centralized governance of the Support Fleet. This strength is based on investing the group with authority to execute policies and vision, staffing the team appropriately, and enriching the data environment to drive decision-making on topics such as driving behavior, fleet deployment, and disposal. Policies and standard operating procedures (“SOP”) have been drafted but not yet adopted.

As part of a risk-based audit approach, management and IA identified key risks and fraud risks that, if left unaddressed, could prevent Support Fleet objectives from being achieved. A total of 24 key risks were evaluated, including maintenance issues, recordkeeping, and legal compliance. Controls existed or were in development to appropriately manage all risks examined, though Internal Audit offered some informal recommendations on improvements and items to consider. Most significant is that management should consider expediting centralizing maintenance for Support Fleet vehicles. This will ensure consistent standards of good repair, compliance with federal recordkeeping requirements, and adequate budget for maintenance and repairs.

This audit feedback comes with the caveat that changes to Support Fleet is a work in progress, with many decisions and implementations pending. In that light, this report is best understood as interim assurance. Ultimate success will depend on Support Fleet management maintaining momentum and commitment to a strong control environment. Success also depends on senior management continuing to support the vision, properly resourcing, and granting authority to the Support Fleet team.

#### Attachment A: Status of Recommendations from 2022 Audit Phase

##### Audit Finding R-22-06-1 Support Fleet Governance and Resources

Risk Level: High

##### Details:

The Fleet Vehicle Administrator (“FVA”) is responsible for managing and providing oversight over UTA’s support fleet. As of February 7, 2022, JDE records indicated a total of 812 support fleet vehicles, including ancillary items such as trailers and ATVs, in “active” status spread across all UTA locations which would fall under the umbrella of the FVA’s responsibilities. Those responsibilities include overseeing vehicle purchasing needs, registration and preparation of vehicles, broad maintenance oversight, tracking vehicle custody, and performing the initial disposal process prior to auction.

The current resources allotted to the department are insufficient to adequately manage all of the aspects required by a fleet of this magnitude spread across multiple locations. The FVA’s time cannot reasonably be allocated across all responsibilities in a manner that is efficient and effective to meet the objectives of a well-run fleet management function.

In addition to the lack of resources, UTA lacks codified policies and procedures that would give the FVA adequate authority to actively manage the fleet and enforce consequences on users of fleet vehicles if issues were to arise. For instance, all fleet vehicles have required service intervals. In the event an organization did not perform required maintenance in a timely manner, the FVA should have the ability to suspend use of that vehicle until the issue is corrected. Likewise, in the event a vehicle is underutilized, the FVA should have authority to reassign the vehicle based on business needs. As noted in recommendation R-22-06-2 below, any new internal policies created by the FVA to guide operations will need to have higher-level UTA policy in place to delegate authority.

##### Criteria:

Best practice published by United State Government Accountability Office’s (“GAO”), Standards for Internal Control in the Federal Government (“Green Book”) section 3.07, states:

*“When assigning responsibility and delegating authority management considers the overall responsibilities assigned to each [business] unit, determines what key roles are needed to fulfill the assigned responsibilities, and establishes the key roles. Those in key roles can further assign responsibility for internal control to roles below them in the organizational retain ownership for fulfilling the overall responsibilities assigned to the unit.”*

##### Underlying Cause:

Current resources and department full time employees (“FTE”) are not sufficient to effectively manage all aspects of UTA’s support fleet. In fact, the role of Fleet Vehicle Administrator was not even created until 2018, meaning issues were allowed to compound for decades.



**Effect:**

- Support fleet metrics cannot be adequately measured to determine right sizing, purchasing needs vs. reassignment, and disposal of vehicles.
- The lack of UTA policies do not allow adequate enforcement of fleet policies, creating inconsistencies in how fleet vehicles are managed and treated by different departments and at different locations.
- The FVA does not have the ability to enforce consequences for misuse of fleet vehicles, leading to an increased likelihood of misuse simply from the perception of lack of consequence.
- Periodic maintenance could be delayed or not performed at all leading to more expensive repairs, loss of useful life, and residual value of support fleet vehicles.
- Maintenance records are not adequately retained and tracked for purposes of accountability to Federal grant requirements.

**Recommendations:**

1. Provide the Support Fleet Management with additional resources subject to budgetary constraints and additional needs analysis of the department.
2. Develop and implement new policies and procedures that grant authority to the FVA to oversee, provide training, and enforce matters related to UTA's support fleet.

**Management Response and Action Plan:**

Management agrees with IA recommendations for this finding. The entirety of UTA support fleet is provided by the Fleet Vehicle Administrator. Management recognizes the need for additional resources to properly manage this program. Many of the current challenges were highlighted in the Federal Transit Administration's (FTA) FMO audit at the end of last year. Internal Audit's review has illustrated the need for additional resources and actions to address the challenges identified. The response to each recommendation is outlined below.

Recommendation #1: Management recognizes the current fleet management approach is unsustainable given the scope and number of issues/recommendations identified in this report. The current management approach lacks the resources, authority, and policy guidance for a successful program and instead presents a risk of escalation which could stall progress in addressing these items.

UTA looked at other local agencies with support fleets. After reviewing their structures and responsibilities and comparing that with UTA's approach to address its challenges, management is developing a budget request that will address immediate needs, develop an action plan to address issues identified in this audit, and create a robust and sustainable fleet management strategy.

Recommendation #2: Management, including new resources identified above, and Support Fleet Management will work to produce these governance policies and training to better position the Support Fleet team to manage, educate UTA business units, and enforce policies relating to the use of Support Fleet vehicles.

Management is in the process of developing a budget request for Board approval to add resources to support and improve existing practices, develop and implement new policies and procedures, and create a Fleet Management Action Plan (FMAP) with recommendations for a more robust and sustainable Fleet Management strategy.

**Target Completion Date:** July 1, 2023

## Current Status:

Recommendation #1 has been addressed by creating a manager-level position to oversee the support fleet and four staff members. To date, four of the five positions have been filled. Additionally, support fleet vehicles have been installed with Geotab trackers that have given management the ability to make data-driven fleet decisions. Additional follow-up will be performed by Internal Audit to determine if this level of resources is fully implemented and is adequate to manage the fleet.

Management has drafted policies and standard operating procedures (SOP), pending adoption, to address recommendation #2. Internal Audit evaluated the effectiveness of the governance outlined in the drafts against Committee of Sponsoring Organizations of the Treadway Commission (COSO) Component 3 *Establishes Structure, Authority, and Responsibility*. Sufficient governance, as measured against that framework, exists if the policies are adopted as drafted with the support of Executive management and the Board of Trustees. The finding will be closed upon validation of policy adoption and the language of that adopted version.

### Audit Finding R-22-06-2 Support Fleet Policies and Procedures

Risk Level: Medium

#### Details:

Support Fleet management does not currently have codified internal policies and procedures to govern its multiple processes. That is not to say the current control environment is inherently ineffective. Since 2018, the FVA has put a set of ad-hoc controls in place to address risks present within the support fleet. However, not having a set of codified and uniform policies and procedures creates potential gaps in when and how procedures are applied.

We also noted a lack of consistent training procedures for users of support fleet vehicles. Periodic training exists to ensure policies and procedures are applied consistently across the organization. The FVA has been working towards developing policies but due to day-to-day job duties and the lack of departmental resources noted in the finding above they have not yet been completed.

#### Criteria:

According to the GAO Green Book Section 3.11,

*“Management documents internal control to meet operational needs. Documentation of controls, including changes to controls, is evidence that controls are identified, capable of being communicated to those responsible for their performance, and capable of being monitored and evaluated by the entity.”*

#### Underlying Cause:

Current resources and department FTEs are not sufficient to allow day-to-day operating responsibilities in conjunction with administrative tasks such as developing policies and procedures.

#### Effect:

Support Fleet procedures are applied inconsistently across the organization, leading to an increased risk that the fleet will not be managed effectively. These inconsistent procedures expose the fleet to risks such as:

- Untimely maintenance, causing potential mechanical failure and potential harm to life and property.
- Vehicle access is not subject to a mandatory or robust checkout process, which increases the risk of undetected vehicle misuse or theft.

- Key security practices are not mandated, leading to an increased risk of undetected vehicle misuse or theft.

**Recommendations:**

1. We recommend Support Fleet Management develop new policies and procedures to define requirements and necessary steps for each of its key areas of responsibility.
2. We recommend Support Fleet Management develop training on the policies and procedures and provide this training to employees responsible for or users of fleet vehicles at least annually.

**Management Response and Action Plan:**

Management agrees with the operational recommendations listed above. The Support Fleet Management is currently working to draft a UTA Support Fleet Vehicle Policy and multiple Standard Operating Procedures (SOP) covering vehicle procurement and onboarding, vehicle maintenance, vehicle use, and vehicle disposal.

Until SOPs and Policy are adopted, UTA’s Executive Director will be issuing an order implementing a moratorium on the approval of purchase orders for new non-revenue fleet vehicles. Exception requests will be considered on a case-by-case basis and subject to approval by the requesting Chief Officer and Executive Director.

As discussed in R-22-06-01, UTA management has identified this as an agency priority and is in the process of developing a budget request to add the resources necessary to complete the development of policies, procedures, and training and a supporting FMAP.

**Target Completion Date:** July 1, 2023

**Current Status:**

Recommendation #1 - Internal Audit performed a risk and fraud risk assessment with management which yielded 24 key risks inherent to Support Fleet. Existing controls were documented and drafted policies and SOPs were reviewed to determine if those 24 key risks were sufficiently addressed by management. While Internal Audit offered some informal recommendations to improve the control environment, no reportable gaps exist. Management has yet to adopt policies and SOPs, and the corresponding controls must be implemented, so this recommendation will remain open.

Recommendation #2 – Management has documented consideration of training needs of Support Fleet vehicle drivers. The details, such as content, time, and applicability, are to be determined. While not a reportable condition, Internal Audit informally gave the advice that vehicle access require drivers to undergo training on Support Fleet policy and processes, completing driver safety, and providing proof of a driver’s license. This recommendation will remain open pending development of a training program.

**Audit Finding R-22-06-3 Opportunities Exist to Right-Size the Support Fleet**

**Risk Level: High**

**Details:**

UTAs support fleet was comprised of 812 active status vehicles according to JDE as of February 7, 2022. Of those, 582 are drivable vehicles (“white fleet”) with the remainder consisting of different types of ancillary assets such as ATVs, trailers, police vehicles, and other equipment. We limited our scope of analysis to only the 582 white fleet vehicles. Further analysis should be conducted to determine UTAs operational needs for the ancillary assets.

We performed three levels of analysis to determine a) the general reasonableness of the size of the white fleet, b) the estimated utilization of the white fleet, and c) the potential residual value for vehicles deemed “underutilized.”

#### Support Fleet Size Reasonableness

We performed a preliminary “gut-check” test on the size of the white fleet by comparing the total number of vehicles in service to the total number of employees who may reasonably expected to use a vehicle. We noted this was an ad-hoc analysis and used our best judgment to determine which employee job descriptions would not be likely to ever use a white fleet vehicle. Therefore, we removed all UTA police department employees and bus/rail operators and hosts from our analysis. This left a conservative total of 1,791 employees that could have access to white fleet out of the 2,577 total employees listed in the phone directory at the time of our review. This indicates that UTA owns one (1) vehicle for every 2.8 employees that could potentially need to use one.

**Table 1. Vehicle to Employee Ratio**

White Fleet Vehicles	Employees	Vehicle to Employee Ratio
582	1,791	1:3.3

*A low ratio indicates a potentially oversized fleet.*

This low ratio indicates a potentially oversized fleet. There are additional variables that should be taken into account such as unique use vehicles (e.g., snowplows, bucket trucks, etc.) which would reduce the number of vehicles in the analysis. However, this is still a very conservative ratio as many of the employees would likely never have the need to use or would use the vehicles so infrequently that a deeper-dive analysis would exclude them.

#### Utilization

After determining there was a high potential that UTA’s support fleet was oversaturated we gauged each white fleet vehicles utilization based upon the estimated number of miles drive by each vehicle over a one-year period between April 23, 2021 and April 22, 2022. We ran into several challenges due to the quality of data that was available for analysis and thus developed assumptions and estimations to arrive at our conclusions. The FVA concurred with us that the quality of data available to UTA was likely not entirely accurate due to several manual touchpoints being inherent within interconnected processes.

The key datasets and underlying constraints and assumptions we drew from to perform the analysis are indicated in table 2.

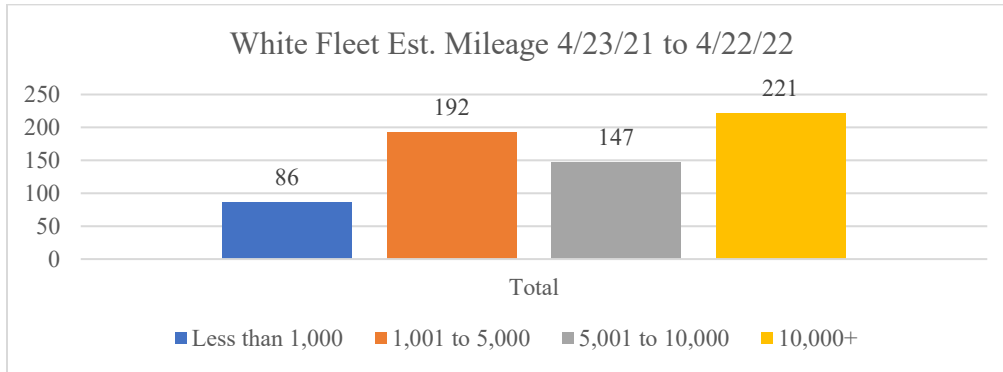
**Table 2. Utilization Datasets, Constraints, and Assumptions**

Dataset	Constraints	Analysis Assumptions
FuelMaster Fueling Data	Manual odometer entries lead to potential erroneous inputs.  White fleet vehicles could be fueled at non FuelMaster stations.	Fueling quantity data is likely the most accurate measurement of vehicle use.  All vehicles filled were fueled at a FuelMaster station.
Internet Research on Avg. MPG  EPA Data	Different models with different options may have slightly different avg. mpg.	The average mpg based on vehicle make and model is a conservative enough estimate to determine estimated miles driven.

*Incomplete and inaccurate datasets required IA to develop reasonable analysis assumptions.*

According to Kelley Blue Book, the average number of miles driven by vehicle per year in the US in 2019 was 14,263. To be more conservative, we set our parameter for underutilization at approximately 1/3 of that distance at 5,000 miles. Any vehicle with estimated miles driven of less than 5,000 miles over the period of 4/23/21 to 4/22/22 were classified as underutilized. We found of the 646 total vehicles analyzed, 278 (43%) were driven less than 5,000 miles over that period. Figure 1 below shows the overall breakdown of estimated miles drive.

**Figure 1. White Fleet Estimated Miles Driven 4/23/21 to 4/22/22**



*We estimated underutilized vehicles made up 43% of the white fleet.*

The quality of data limited the overall accuracy of our analysis but did serve as a baseline to indicate where further analysis is warranted. Clearly some vehicles will be used less based on their purpose. But ultimately it begs the question if UTA is deploying its fleet in the most efficient manner. There is a high level of opportunity to rearrange where vehicles are located, which can be better shared, which can be reassigned, and those that should be disposed.

Support Fleet Management is currently in the process of installing geotrackers on all support fleet vehicles. These devices should provide more useful datasets that can be measured with a higher level of accuracy to better answer the question of optimal fleet deployment. For example, the geotrackers should have the ability to track mileage in real time, use GPS and geofencing to ensure vehicles stay within a defined area, and connect to vehicle sensors to proactively detect maintenance issues.

#### Potential Residual Value

After identifying underutilized vehicles, we attempted to determine the potential residual value of those vehicles in the event UTA chose to liquidate them at this point in time. The analysis was meant to serve as a guide for future decision-making. It is not meant to definitively say this is how much UTA will derive from an aggregate set of transactions.

We compared underutilized vehicle descriptions (year, make, model) to Kelley Blue Book values, whenever available, using the following assumptions for the vehicles:

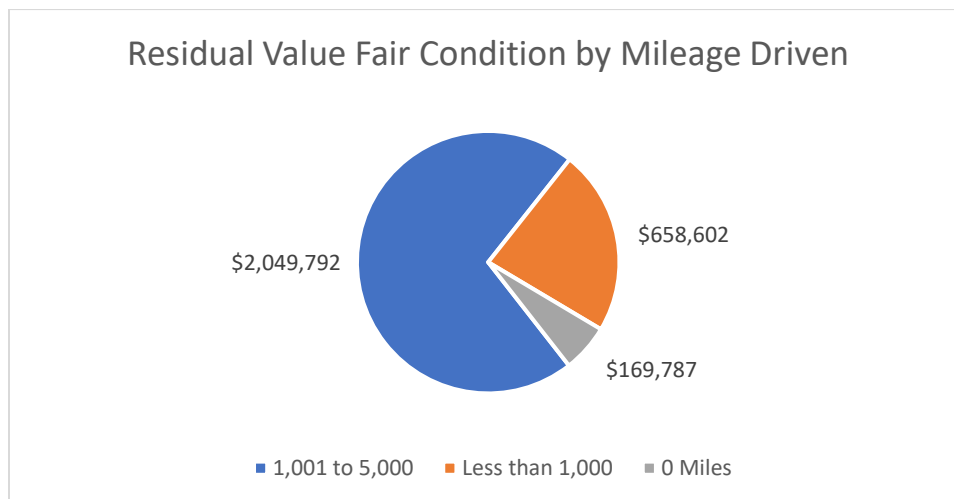
- Base Model
- Standard Features
- White Paint
- Fair Condition (Used, needs some mechanical repairs)

We used these assumptions to obtain a conservative base value for vehicles even though most newer vehicles are likely in “good” condition and included features will vary vehicle to vehicle. In the event

Kelley Blue Book values were not available we used other sites to find the most accurate value available (e.g., Commercial Truck Trader for larger vehicles like the Ford F550). We omitted any vehicles with less than one-year of use to avoid skewing the estimated residual value. This left us with a total of 256 vehicles to evaluate.

Our calculations yielded a potential resale value of approximately \$2.88 million. Figure 2 illustrates the potential residual value by mileage stratification. The table in Attachment B shows the breakdown by model year and mileage stratification.

**Figure 2. Residual Value Fair Condition by Mileage Driven**



*Zero-mile vehicles should be closely scrutinized for disposal.*

These findings, even with incomplete or inaccurate data, illustrate the point that UTA's support fleet is likely very oversaturated and serious considerations need to be made as to which vehicles the organization actually needs to fulfill its mission and which ones can be disposed of in order to recapture value that could be put to more effective uses.

**Criteria:**

According to Fleet Services, a fleet consulting and management company founded in 1957, a key best practice for any Fleet Management function is to have the right vehicles, in the right hands, at the right times. Every vehicle should have a justified business purpose.

**Underlying Cause:**

The procedures for evaluating vehicle utilization are limited by the type and accuracy of data available to be analyzed along with resource constraints within Support Fleet Management.

**Effect:**

UTA has an excess of support fleet vehicles which creates the following negative outcomes:

1. New vehicles are purchased when underutilized, older vehicles could be reassigned to serve the same purpose.
2. Departments have the perception that they can have a vehicle purchased or assigned to them without thorough justification for their use.
3. Underutilized vehicles, particularly newer ones, are constantly losing residual value simply by aging.

4. UTA incurs holding costs to maintain underutilized vehicles or underutilized vehicles are not maintained creating a further decrease in residual value.
5. Negative public perception of taxpayer dollar waste.

**Recommendations:**

1. We recommend Support Fleet Management use the new geotrackers to pinpoint precisely which vehicles are being underutilized and work to either reassign vehicles where they will be more useful or dispose of them to recapture some residual value.
2. We recommend the vehicle purchasing strategy be overhauled to ensure that proper steps are taken to determine if another vehicle within support fleet would be sufficient to meet the needs of the requesting department prior to purchasing a new vehicle.
3. We recommend Support Fleet Management require all employees responsible for a support fleet vehicle, especially underutilized ones, to provide written justification for the business need of their vehicles. Based on the justifications, support fleet should make decisions as to which vehicles may be reassigned or slated for disposal.
4. We recommend Support Fleet Management review the use of floating fleet vehicles available to be checked out by employees to determine if any could be repurposed or disposed.
5. We recommend UTA management review its disposal and auction process to determine if there are ways to streamline sales once vehicles to be disposed of have been identified.
6. We recommend UTA's accounting and finance teams determine if there is a more effective way to manage the budget strategy for support fleet vehicles, for instance, using an internal service fund to charge departments for the use of vehicles.

**Management Response and Action Plan:**

Management agrees with the recommendations in this finding.

Recommendation 1- Support Fleet Management has been working to install the Geotab units on UTA's support fleet. The amount of data the Geotab telematics units provide is impressive. The use of the data will allow for documented evidence to make actionable and timely decisions in the management of the support fleet. The goal is to right-size the fleet and ensure the vehicle are being appropriately utilized.

The data collected with Geotab will be used to inform a vehicle utilization policy and inform fleet right-sizing based on vehicle usage and department needs. The information collected with Geotab will also inform management response to items 1 thru 3 and form a foundational element of the FMAP.

Recommendations 2 thru 5 will be addressed in the FMAP as defined in Management Response to finding R-22-06-01(2), and the completion of SOPs the Support Fleet group is developing.

Recommendation #6 is currently being investigated by UTA's Finance team regarding establishing an internal service fund for financing the Support Fleet Vehicle strategy. Management recognizes that more funding is needed for the management, operations, and maintenance of the support fleet vehicles.

Finance will review options for better fiscal management and control of the Support Fleet including potentially developing a self-supporting funding approach to the support fleet, either by use of an internal service fund potentially partially funded by vehicle auction sales or the creation of dedicated budgets and fiscal controls for the management of the fleet.

Regardless of the funding strategy, the identification of a centralized owner and budget overseen by Support Fleet Management instead of the current decentralized approach will provide consistency and greater management oversight and control of all Fleet Management functions.

**Target Completion Date:** April 1, 2023

**Current Status:**

Recommendation #1 - Management has installed Geotrackers in support fleet vehicles. These devices collect data on the vehicle and driver habits, including odometer mileage, which audit testing verified as accurate, and patterns of aggressive driving. Additionally, a consulting firm developed a formula management can use to evaluate vehicle retain/dispose decisions with mileage a key input. The formula has bookends of minimum annual mileage and maximum total mileage to alert management of vehicles that may need to be disposed.

Recommendation #2 and #3 – Management has drafted, but not yet adopted, an SOP to guide on vehicle assignments and allocation. Vehicle users will be required to annually complete a form justifying continued vehicle use, and when a position incumbent leaves UTA. Vehicle assignment will be based on the following criteria: 1) Need for the vehicle 2) type of vehicle needed 3) number of operators 4) number of operator shifts 5) vehicle availability. Management believes that the enriched data environment may ultimately make a justification form unnecessary, since the data will bear vehicle use patterns out. The recommendation will remain open pending adoption of SOPs, finalization of controls, and support from executive management on adoption.

Recommendation #4 - In response to the audit, the Executive Director placed a purchase moratorium on new non-revenue vehicles. No purchases varying from the terms of the moratorium were made.

Management made the decision not to dispose of vehicles unless for age-based reasons and is developing strategy to optimize use of the current fleet. This optimization will be based on performance metrics such as mileage by trip, vehicle model, and time in use with an emphasis on the needs of departments. While fleet right-sizing will be an on-going goal, management has documented a researched and methodical approach to implementation. The recommendation will remain open, with final resolution dependent on the successful roll-out of a right-sizing strategy, as evidenced by an improvement in fleet use metrics.

Recommendation #5 was not considered in this audit but will be in a separate preliminary assessment of disposal practices.

Recommendation #6 – Management hired consultants who evaluated the merits of a revolving service fund strategy with initial funding from the auction of surplus vehicles. The consultants concluded *“In summary, auction seed money would not substantially support a revolving service fund. To further explore the possibility of the revolving fund, additional funding sources will need to be identified. It is also recommended for UTA to establish a vehicle replacement timeline to support a consistent cash flow projection.* The comptroller confirmed that funding for support fleet is currently being conceptualized as capital funding. This recommendation will remain open pending final decisions on how the support fleet will be funded in the future.

**Audit Finding R-22-06-4 Floating Vehicle Check-out and Physical Security Measures are Ineffective Against Preventing Fraud and Abuse**

**Risk Level: High**

**Details:**

Support Fleet currently utilizes a checkout application on an internal intranet site called UTANet for its floating white fleet, defined as fleet vehicles any employee can potentially use. We examined the support fleet vehicle check-out process for floating support fleet vehicles. This included a review of the support fleet check-out application found on UTANet and the physical security of vehicle keys. We found the



online application for checking out and checking in vehicles was not developed or deployed in a manner to adequately approve and track vehicle use. The system was lacking key controls to allow Support Fleet to properly monitor the check-out process. This included lack of proper approval workflows, allowing anyone with a login to request a vehicle without having a supervisor approve the check-out. We noted lack of logic controls, such as being able to check out a vehicle without it being checked back in first.

We also found the physical security over vehicle keys was non-existent at the UTA headquarters building, FLHQ. Keys are kept in a lockbox by the FLHQ Southwest entrance which is not locked. Anyone with access to the building can remove a support fleet vehicle from the premise without detection. To illustrate this point, the Internal Audit team, with the permission of the Board Chair and the knowledge of the UTA Police Department, stole a car from the FLHQ parking lot and dropped it at another UTA facility for a one-week period. During that time the vehicle was never reported missing. UTA saves its security footage for a one-week period, meaning that vehicles not reported missing within that timeframe have a significant risk of being stolen and not detected until the next physical inventory of vehicles.

**Criteria:**

According to Fleet Services, an independent vehicle management company established in 1957, one of the best practices that should be implemented over fleet vehicles is the drafting and approving driver and vehicle policies that reduce the company's exposure to unexpected liabilities resulting from drivers who perhaps should not be driving. This extends to the argument that the systems that enforce those policies be designed and implemented in a way that allows the policies to be adequately followed.

**Underlying Cause:**

The lack of resources within Support Fleet Administration, coupled with the inadequate design of the check-out and monitoring system, has resulted in a lack of governance and oversight over floating support fleet vehicles.

**Effect:**

Support fleet vehicles could be stolen or otherwise misused without detection.

**Recommendations:**

1. We recommend developing or purchasing new check-out software and adding additional controls to the check-out process. The new controls should be robust enough to 1) ensure Support Fleet knows who has custody of a vehicle at any given time, 2) ensures proper approvals for vehicle use are documented prior to an employee taking custody of a vehicle, 3) ensure vehicle keys are kept in a secure (locked) area that can only be accessed with either a unique identifier code or unlocked by a custodian that verifies the employee has gone through the check-out process and has all approvals documented.

**Management Response and Action Plan:**

Management agrees with this finding and will put in place a system of controls to improve security of the check-out process. Recommendations for the acquisition of a new automated check-out system with the appropriate controls will be reviewed and included in the FMAP for early implementation.

Management also recognizes the likely challenges it will have to analyze for implementation while not creating overburdensome requirements for support fleet vehicle use, particularly as it relates to UTA's ability to respond to emergencies.

There are a variety of solutions UTA could review in the FMAP to secure its pool keys and vehicles. Solutions could potentially include, but are not be limited to:

- 1) Leveraging additional functionality capabilities of the Geotab system and implement various levels of RFID technology to better document operating characteristics.
  - a. Could be implemented to require users to scan key fob before operating via SOP.
  - b. Could be implemented with additional vehicle hardware preventing the starting of a vehicle without scanning employee key fob.
- 2) Purchase an electronic key management system that tracks key usage and verifies only authorized employees are checking out vehicles.
- 3) Ensure software solution notifies Support Fleet Management when fleet vehicles are not returned per vehicle checkout information.
- 4) Eliminate or modify the concept of a fleet pool and have department/assigned vehicles

The FMAP will consider the options and associated complexities that will inform its recommendations.

**Target Completion Date:** April 1, 2023

**Current Status:**

Management is researching options for a new key management and checkout system but have yet to arrive at a decision. Research has included consultant investigation into options and in-person inspections of systems used by other organizations.

Management has researched costs of a key management system and \$330,000 is earmarked in the UTA five-year capital plan for procurement of a key management system.

## Attachment B: Residual Value by Mileage and Model Year<sup>1</sup>

**Figure 2. Residual Value by Mileage and Model Year**

Vehicle Year	Vehicle Count	0 Miles	Less than 1,000	1,001 to 5,000	Grand Total
1988	1	\$ -	\$ 4,666.00	\$ -	\$ 4,666.00
1995	2	\$ -	\$ 1,846.00	\$ 5,335.00	\$ 7,181.00
1997	4	\$ 1,464.00	\$ -	\$ 5,866.00	\$ 7,330.00
1998	15	\$ 2,430.00	\$ 36,288.00	\$ 11,470.00	\$ 50,188.00
1999	13	\$ 2,280.00	\$ 12,526.00	\$ 26,190.00	\$ 40,996.00
2000	8	\$ -	\$ 31,582.00	\$ 39,072.00	\$ 70,654.00
2002	15	\$ 2,944.00	\$ 39,441.00	\$ 28,978.00	\$ 71,363.00
2004	13	\$ 2,271.00	\$ 42,076.00	\$ 31,007.00	\$ 75,354.00
2005	5	\$ 4,934.00	\$ 39,000.00	\$ 8,536.00	\$ 52,470.00
2006	23	\$ 2,096.00	\$ 24,972.00	\$ 129,332.00	\$ 156,400.00
2007	24	\$ 16,982.00	\$ 102,115.00	\$ 154,793.00	\$ 273,890.00
2008	30	\$ 3,192.00	\$ 53,466.00	\$ 228,433.00	\$ 285,091.00
2009	21	\$ -	\$ 50,284.00	\$ 168,301.00	\$ 218,585.00
2010	6	\$ -	\$ 8,477.00	\$ 16,843.00	\$ 25,320.00
2011	30	\$ 5,491.00	\$ 51,916.00	\$ 416,300.00	\$ 473,707.00
2012	16	\$ -	\$ 53,857.00	\$ 220,258.00	\$ 274,115.00
2013	15	\$ 39,875.00	\$ 32,920.00	\$ 217,241.00	\$ 290,036.00
2014	1	\$ -	\$ -	\$ 5,806.00	\$ 5,806.00
2016	1	\$ -	\$ -	\$ 58,651.00	\$ 58,651.00
2017	4	\$ -	\$ -	\$ 117,733.60	\$ 117,733.60
2018	4	\$ -	\$ 46,817.00	\$ 96,898.00	\$ 143,715.00
2019	1	\$ 58,268.00	\$ -	\$ -	\$ 58,268.00
2020	1	\$ -	\$ -	\$ 25,719.00	\$ 25,719.00
2021	3	\$ 27,560.00	\$ 26,353.00	\$ 37,029.00	\$ 90,942.00
<b>Grand Total</b>	<b>256</b>	<b>\$ 169,787.00</b>	<b>\$ 658,602.00</b>	<b>\$ 2,049,791.60</b>	<b>\$ 2,878,180.60</b>

2. This table details the aggregate potential residual value for underutilized vehicles by vehicle model year and the range of miles driven between the period of April 23, 2021 and April 22, 2022. The purpose is to illustrate the stratification in value between older and newer vehicles for the purpose of determining where “quick-wins” can be realized through the disposal process.

<sup>1</sup> This table is from the 2022 phase of the audit. It is retained in this report to maintain the reference in the 2022 findings.



# Utah Transit Authority

## MEETING MEMO

669 West 200 South  
Salt Lake City, UT 84101

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**Audit Committee**

**Date:** 10/16/2023

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**TO:** Audit Committee  
**THROUGH:** Jay Fox, Executive Director  
**FROM:** Mike Hurst, Director Internal Audit  
**PRESENTER(S):** Mike Hurst, Director Internal Audit  
Scott Ith, Warehouse & Inventory Operations Manager  
Johanna Goss, Sr. Internal Auditor

**TITLE:**

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**Supply Chain Warehouse Performance Audit Report (23-01)**

**AGENDA ITEM TYPE:**

Report

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**RECOMMENDATION:**

Informational report for discussion

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**BACKGROUND:**

Internal Audit completed a performance audit of Supply Chain Warehouse in September 2023. The engagement was initially planned as a preliminary assessment as part of the 2023 Audit Plan, but upon performing the planning phase, it was determined that a performance audit of key performance indicators was the appropriate use of audit resources. This audit tested key performance indicators that demonstrate areas of success within in the department.

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**DISCUSSION:**

Internal Audit will report on observations and recommendations from the audit.

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**ALTERNATIVES:**

Not applicable

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**FISCAL IMPACT:**

Not applicable

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**ATTACHMENTS:**

R-23-01 Supply Chain Performance Audit Report



# **INTERNAL AUDIT**

## **Performance Audit of Supply Chain**

**R-23-01**

**Sept 19, 2023**

## Table of Contents

Executive Summary

3

## Rating Matrix

Descriptor	Guide
<b>High</b>	Matters considered being fundamental to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within three months.
<b>Medium</b>	Matters considered being important to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within six months.
<b>Low</b>	Matters considered being of minor importance to the maintenance of internal control or good corporate governance or that represents an opportunity for improving the efficiency of existing processes. These matters should be subject to agreed remedial action and further evaluation within twelve months.

## Distribution List

Title	For Action <sup>1</sup>	For Information	Reviewed prior to release
Executive Director		*	*
Chief Financial Officer		*	*
Director of Supply Chain		*	*
Warehouse & Inventory Operations Manager		*	*

<sup>1</sup>For Action indicates that a person is responsible, either directly or indirectly depending on their role in the process, for addressing an audit finding.

## Executive Summary

## Introduction

Performance Audit Report

2

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The Audit Committee directed Internal Audit (“IA”) to perform an audit to determine if controls over Supply Chain are designed adequately and operating effectively according to internal policies and procedures as well as to support the achievement of management objectives. The Audit Plan was approved by the Audit Committee on December 12, 2022.

This engagement was planned as a preliminary assessment but was completed as a performance audit based on objectives and scope defined during the planning phase. The performance audit was concluded on September 12, 2023, and was conducted in accordance with the International Standards for the Professional Practice of Internal Audit, published by the Institute of Internal Auditors.

## Background and Functional Overview

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UTA’s Supply Chain procures, stores, and delivers needed items and material to all divisions within the organization. As of September 2023, the management and direction of UTA Supply Chain is led by Todd Mills – Director of Supply Chain and then divided into management groups under the following: Troy Hamilton – Procurement Manager and Scott Ith – Warehouse-Inventory Operations Manager. This engagement was focused on the Warehouse function of Supply Chain.

## Objectives and Scope

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Audit objectives and audit plan were determined by completing a risk and fraud risk assessment. Additionally, IA met with the various maintenance shops that are serviced by Supply Chain Warehouse. Through these discussions IA determined that the most significant risks are not in the warehouse segment of Supply Chain but in Procurement. Procurement topics were out of scope for this engagement and time did not permit adding to the scope.

Given the risk assessment’s narrow scope and the relatively low inherent risk, IA focused on testing key performance indicators (KPIs) for the period of July 1, 2022 – July 31, 2023 in the following areas:

- Warehousing Space and Procedures
- Inventory Accuracy
- Parts Delivery Time
- Vehicle Downtime

IA reviewed internal policies and procedures, conducted physical walkthroughs of warehousing and maintenance areas, interviewed Supply Chain personnel, and analyzed warehouse performance data.

## Summary

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Audit testing confirmed success in the following areas:

- Vehicle downtime due to missing parts is generally attributable to a difficulty in Procurement and not because of something in Warehouse’s control.
- Warehouse accurately fills orders and can quickly resolve discrepancies.
- No safety incidents were reported during the period reviewed.
- Physical inventories were completed at all warehouse locations with accuracy within limits specified by management.
- Parts provided to maintenance shops meet or exceed Original Equipment Manufacturer (OEM) standards.



- Maintenance shops have low need for purchase card purchases as an alternative to Warehouse.
- Warehouse has an established method for setting parts number equivalents when necessary.
- The maintenance shop Meadowbrook #8 has not had a dedicated parts clerk because they share a building with the central warehouse. Management gave sound reasons for this decision that demonstrated this is the best arrangement for success.
- Warehouse has significant overtime needs. The trends and causes of this overtime were examined, with the determination that the issue was not severe enough to warrant additional headcount.

Warehouse shares their central space with Meadowbrook #8, which has disadvantages, such as space constraints, inventory control issues, and security and storage issues. These disadvantages are currently controlled through processes and warehouse accessibility. As UTA considers future planning and space needs, a separate, dedicated warehousing space should be considered

IA appreciates the assistance offered by Supply Chain management and staff in completing this preliminary assessment.



# Utah Transit Authority

## MEETING MEMO

669 West 200 South  
Salt Lake City, UT 84101

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**Audit Committee**

**Date:** 10/16/2023

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**TO:** Audit Committee  
**THROUGH:** Jay Fox, Executive Director  
**FROM:** Mike Hurst, Director Internal Audit  
**PRESENTER(S):** Mike Hurst, Director Internal Audit  
Kim Shanklin, Chief People Officer  
Greg Gerber, Director Talent Acquisition

**TITLE:**

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**Recruitment Assessment Report (23-11)**

**AGENDA ITEM TYPE:**

Report

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**RECOMMENDATION:**

Informational Report for discussion

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**BACKGROUND:**

An outsourced audit of the recruitment process was planned and budgeted for as part of the 2023 Audit Plan. The project was completed as an assessment by a firm called North Highland. The firm completed their work and reported their recommendations to the Audit Committee in June 2023. Management has prepared action plans for the recommendations and a separate report was drafted to combine the recommendations with those action plans.

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**DISCUSSION:**

Management representatives will share action plans for high-priority recommendations from the assessment report.

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**ALTERNATIVES:**

Not applicable

**FISCAL IMPACT:**

Not applicable

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**ATTACHMENTS:**

23-11 Recruitment Assessment report



**INTERNAL AUDIT**

## **Recruitment Assessment – Management Action Plan**

**R-23-11**

**September 25, 2023**

## Table of Contents

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Attachment A: Status of Preliminary Assessment Recommendations	5

## Rating Matrix

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Descriptor	Guide
<b>High</b>	Matters considered being fundamental to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within three months.
<b>Medium</b>	Matters considered being important to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within six months.
<b>Low</b>	Matters considered being of minor importance to the maintenance of internal control or good corporate governance or that represents an opportunity for improving the efficiency of existing processes. These matters should be subject to agreed remedial action and further evaluation within twelve months.

## Distribution List

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Title	For Action <sup>1</sup>	For Information	Reviewed prior to release
Executive Director		*	*
Chief Enterprise People Officer	*	*	
Director Talent Acquisition	*	*	
Records Manager		*	*

<sup>1</sup>For Action indicates that a person is responsible, either directly or indirectly depending on their role in the process, for addressing an audit finding.

## Executive Summary

### Introduction

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Internal Audit was directed by the Audit Committee to outsource an audit to evaluate if the UTA recruitment process is operating effectively to ensure the achievement of management objectives. The project was completed as an assessment by North Highland, a management consulting firm with headquarters in Atlanta, Georgia. This report is a summary of their findings and a record management's response and action plans.

### Background and Overview

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The Talent Acquisition department is responsible for finding, attracting, and hiring qualified individuals to fill job openings within a Utah Transit Authority. They work closely with hiring managers to understand the skills and qualifications needed for various roles. The department typically handles job postings, sourcing candidates, conducting interviews, and managing the hiring process. They also focus on employer branding, Recruitment Marketing and creating a positive Hiring manager and candidate experience. Overall, Talent Acquisition plays a crucial role in building a skilled and diverse workforce for the company.

### Objectives and Scope

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The engagement scope covered the following topics:

1. Effectiveness of workforce planning process.
2. Competitiveness of UTA's total compensation strategy relative to geography and industry.<sup>1</sup>
3. Effectiveness of sourcing and attraction.
4. Quality of applicant experience.
5. Quality of Hiring Manager experience.
6. Effectiveness of employee selection process.
7. Effectiveness of employer branding.

### Summary

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The North Highland report focused on findings around three central areas: people, process, and technology. The summary of that report highlighted as "most pressing" the following findings:

- *Data entry issues in Jobvite and JDE [JD Edwards] are time consuming and cause downstream impacts to other teams and processes*
- *The lack of SLAs [service level agreements] and updated or standardized processes and procedures limit efficiencies and result in missed steps in the hiring process*

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<sup>1</sup> Upon initiation of this assessment, it was learned that an updated total compensation strategy had recently been implemented. Given the insufficient time to collect data on the impacts of the new strategy, the decision was made to de-prioritize that topic.

- *Hiring Managers and candidates don't always receive regular updates or responses from Recruiters and can lack insight into their hiring process*
- *The Talent Acquisition team is burdened with time-consuming, administrative onboarding tasks*

North Highland also detailed affirmative findings of Talent Acquisition's successes, noting the department's strong reputation and trustworthiness.

## **Appendix A: North Highland Findings**

### **Affirmative Findings**

- 1.1 Talent Acquisition leadership has prioritized attracting and hiring Recruiters who are passionate about their jobs, love working at UTA, and prioritize the satisfaction of their customers.
- 1.2 The restructuring of the Talent Acquisition team to align to dedicated business units will ensure Recruiters can build a relationship with their Hiring Managers and allow them to specialize in their business areas.
- 1.3 Hiring Managers value their relationships with Recruiters and view them as trusted partners.
- 1.4 Most New Hires thought the hiring process was straightforward, knew who to reach out to if they had a question, and received answers to their questions in a timely manner.
- 1.5 UTA plans to replace its HRIS [Human Resource Information System] later this year, which has the potential to significantly improve many of the issues Talent Acquisition faces.
- 1.6 The timeline of the hiring process is relatively quick for most positions, compared to other transit agencies.
- 1.7 Most Hiring Managers are pleased with the job Talent Acquisition is doing to fill their vacancies.
- 1.8 The UTA employer brand is seen as a stable work environment with a good culture and opportunities for growth.

### **People Findings**

- 1.1 The restructuring of the Talent Acquisition team to align to dedicated business units will ensure Recruiters can build a relationship with their Hiring Managers and allow them to specialize in their business areas. (Low impact)
- 1.2 The Talent Acquisition team needs more direction, guidance, and accountability to support their success. (High Impact)
- 1.3 The Talent Acquisition team would like information to be shared consistently across the team. (Medium Impact)
- 1.4 Hiring Managers value their relationships with Recruiters and view them as trusted partners. (Low Impact)
- 1.5 Hiring Managers and candidates don't always receive regular updates or responses from Recruiters and can lack insight into their hiring process. (High Impact)
- 1.6 Hiring Managers report mixed results on the quality of candidates applying for jobs. (Medium Impact)
- 1.7 Some Hiring Managers believe the quality of candidates and employees in certain functions may be impacted by compensation levels. (Medium Impact)

## **Process Findings**

- 1.1 The lack of SLAs and updated or standardized processes and procedures limit efficiencies and result in missed steps in the hiring process. (High Impact)
- 1.2 Although most positions are filled within 45 days, many Hiring Managers consider the hiring process to be too slow. (High Impact)
- 1.3 The Talent Acquisition team is burdened with time-consuming, administrative onboarding tasks. (High Impact)
- HRIS/HRCM
  - Data Entry specialist to be hired in 2024 to remove some of the administrative burden from the Recruiting team so the Recruiters can focus on High Impact, High Touch activities:
    - Sourcing
      - Strengthening/Building diverse community partnerships.
      - Leveraging Online sourcing tools and activities.
    - Candidate Relationship Management
    - Hiring Manager Relationship Management
- 1.9 KPIs [Key Performance Indicators] are not tracked or reported on a regular basis, limiting the ability to make data-driven decisions. (Medium Impact)



1.10 Candidates don't always have sufficient knowledge of the job duties or schedules and may receive limited information on benefits. (Medium Impact)

1.6 The lack of a standardized and centralized workforce planning process does not greatly impede Talent Acquisition but could be improved. (Low Impact)

1.7 Although hiring events are successful, other departments are impacted by mass-hiring and should be consulted to account for capacity. (Medium Impact)

1.11 UTA is seen as a stable work environment with a good culture and opportunities for growth. (Medium Impact)

1.12 Candidate screening consists of reviewing candidate qualifications but does not always include speaking with each candidate. (Medium Impact)

1.13 The interview process is often rigid to ensure an equitable process, and Hiring Managers would benefit from training to more effectively conduct interviews and evaluate candidates. (Medium Impact)

## **Technology Findings**

1.1 Data entry issues in Jobvite and JDE are time consuming to review and cause downstream impacts to other teams and processes. (High Impact)

- Onboarding a new hire into the company is a manual and complex process, and hiring a PO Data Entry Specialist to relieve the Recruiters from the onboarding process will free the Recruiters up to do high touch Brand Ambassador activities.

1.2 Talent Acquisition must use many systems to complete their processes. (Medium Impact)

1.3 Jobvite isn't being optimized to its fullest potential, and certain improvements would help streamline the hiring process. (Medium Impact)

**Appendix B: North Highland Recommendations and Management Response**

<b>Recommendation R-23-11-A Human Resources Information System</b>	<b>Priority: High</b>
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**Recommendation:**

Proceed with the new HRIS, and ensure thoughtful consideration of design and implementation

**Management Response:**

The Chief People Officer (CPO) and the Talent Acquisition (TA) Director agree with this recommendation. The People Office (PO) Leadership team is in the process of identifying a replacement system for the current JDE system. We have spent time reviewing options in depth and are making decisions on next steps in the process. The new system will integrate the TA software into a broader PO suite. Implementation of any new system will be in early 2025.

<b>Recommendation R-23-11-B Standard Operating Procedures</b>	<b>Priority: High</b>
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**Recommendation:**

Update standard operating procedures and include SLAs

**Management Response:**

The CPO and TA Director agree with this recommendation. As part of the move to a new system, the TA department will need to redesign and rewrite new SOPs for how recruitments are conducted. Those new SOPs will be rolled out with the implementation of the new system. SOPs that don't have system requirements are being looked at in quarter 4 of 2023 and staff will update those, as needed, throughout 2024.

The TA Director is working on a plan to create a standard service level agreement beginning 1<sup>st</sup> quarter of 2024 with the intent of rolling it out to the organization by mid-2024. The SLA will include agreements between TA Staff and the Hiring manager in the following areas:

- Position Mapping and Calibration
- Sourcing Strategy
- Interview/Testing
- Offer and Onboarding

<b>Recommendation R-23-11-C Key Performance Indicators</b>	<b>Priority: High</b>
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**Recommendation:**

Develop and track KPIs to enable data-driven decision making

**Management Response:**

**The CPO and TA Director agree with this recommendation.**

The Chief People Officer (CPO) and the Talent Acquisition (TA) Director agree with this recommendation. We are evaluating whether these metrics can be produced with our current system or if we need to wait until the new system is in place.

- Tracking Metrics are ongoing and will be further evaluated during 4<sup>th</sup> qtr 2023. Reporting priorities will be determined based on the Business needs.
- In 2023/2024 report metrics will be evaluated and system challenges will be reviewed to ensure we can design create and implement some of metrics and systems. We are evaluating whether we can leverage the current system or if it's best to wait until the new system is in place.

#### Recommendation R-23-11-D Talent Acquisition Team Structure

Priority: High

##### **Recommendation:**

Proceed with new Talent Acquisition team structure, and increase headcount to support with data entry

##### **Management Response:**

The CPO and TA Director agree with this recommendation. Within the last year, some restructuring of the Talent Acquisition team has been implemented to eliminate confusion regarding the Talent Acquisition resources available to Hiring Leaders within UTA. As part of this restructure, we created a dedicated Talent Acquisition Hiring Team "Operator Hiring Team" who hire for all Operator positions within UTA. The team consists of a Talent Acquisition Specialist, two Full Cycle Recruiters and one Supervisor. In addition, a headcount has been requested in the 2024 budget to provide extra resources for data entry.

#### Recommendation R-23-11-E Leadership Strategy Sessions

Priority: High

##### **Recommendation:**

Conduct Leadership Strategy Sessions to align on priorities for the Talent Acquisition team

##### **Management Response:**

The CPO and TA Director agree with this recommendation. The following activities have occurred, or are planned to support this work:

- Strategic Priorities and Success Outcomes program training.
- Talent Acquisition Team Retreat in December 2023.
- Quarterly Business Unit meetings between Talent Acquisition, Maintenance and Operations
- Bus Operator Hiring Steering committee.
- ESL Steering Committee

#### Recommendation R-23-11-F Jobvite Validation Rules

Priority: Medium

##### **Recommendation:**

Investigate data validation rules and optimize features in Jobvite

**Management Response:**

The CPO and TA Director agree with this finding however given the number of resources required in 2024 for the HRIS process design and implementation, TA staff will look for easy wins in this area. We will also rely on our Bayard contract partner to assist with utilizing optimization of critical data points in Jobvite.

Early in 2023, the Talent Acquisition Team collaborated with the Total Rewards team to identify data entry error cause and affect. This collaboration has already reduced data entry errors and processes and procedures implemented to minimize data entry error impacts to the organization.

Data entry process mapping will continue through the implementation phase of the new HCM system in 2024/2025.

Recommendation R-23-11-G Process Expectations	Priority: Medium
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**Recommendation:**

Communicate expectations with Hiring Managers and other teams on processes and SLAs

**Management Response:**

The CPO and TA Director agree with this recommendation

- Leveraging New Leadership Acumen Training – TA is partnering with Training and Development to roll out Recruitment Selection Process training in 2024. This may pause until the new system is implemented..
- Service Level Agreements built and rolled out by mid-year 2024.

Recommendation R-23-11-H Talent Acquisition Team Communication	Priority: Medium
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**Recommendation:**

Build structure into Talent Acquisition team communication cadence

**Management Response:**

The TA Director is in the process of implementing the Organizational Excellence methodology. The following changes have been implemented to-date.

- Building daily, weekly short meetings around the Strategic Priorities & Success Outcomes Whiteboard.
- Step one is to build the Talent Acquisition Strategic Priorities & Success Outcomes by end of year 2023 with Target launch is 2024.
- Step two – Build the SLA to set communication expectations with the Clients TA serves. Roll out these SLAs by mid-2024.

Recommendation R-23-11-I Immediate Process Improvements	Priority: Medium
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**Recommendation:**

Adopt immediate, tactical process improvements to the hiring process to generate 'quick wins'

**Management Response:**

The CPO and TA Director agree this is important, and believe this practice occurs already, as part of continuous improvement. To date, since the audit, the TA Staff has done the following:

- Moved Rail Testing from Classroom to online. Significantly increased number of applicants scheduled who show up for testing from 50% to 85%, resulting in more hires.
- Improving Laserfiche intake form to allow JDE to auto populate critical Job, and org structure information. This will speed up the process of opening a requisition.
- Converted a 100% manually tracked Hiring Incentive payout process and automated 95% of the it.
- Employee Referral tracking is also 100% manual and will be 95% automated by the end of 2023.

<b>Recommendation R-23-11-J Recruiter Training</b>	<b>Priority: Medium</b>
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**Recommendation:**

Provide standardized onboarding and ongoing development training to Recruiters

**Management Response:**

CPO and TA Director agree onboarding and training should be standardized for each process. A Training was developed in 2020 however needed updating. As part of continuous improvement, the onboarding process will be updated as gaps are found, and processes are changed.

<b>Recommendation R-23-11-K Interview Training</b>	<b>Priority: Low</b>
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**Recommendation:**

Provide Hiring Manager training on how to conduct interviews.

**Management Response:**

- New Leadership Acumen Training – TA is partnering with Training and Development to roll out Recruitment Selection Process training in 2024
- This issue is a common one among all companies. With so many ways to connect and get immediate feedback, candidates have been conditioned and are expecting companies to be able to respond to inquiries quickly. The TA team is currently working on rewriting all template communications within JobVite to accommodate for various communication feedback loops candidates and Hiring Managers are requesting. Status update communication templates will be completed by end of 2023. Other “non-system dependent” communications templates and strategies will be designed and implemented as the new system is implemented at UTA in 2024/2025. As more sophisticated communication tools become readily available UTA will be exploring many of them. The increased focus on AI for Recruitment has promising implications. UTA will focus on leveraging the current and proven technology currently existing to helping candidates receive better feedback on Employment inquiries in 2024. Some of this tech will help automate

feedback loops by introducing things like chatbots and txt/email drip campaigns into the ATS/CRM to stay better connected to the candidates.

#### Recommendation R-23-11-L Talent Acquisition Team Reporting Structure

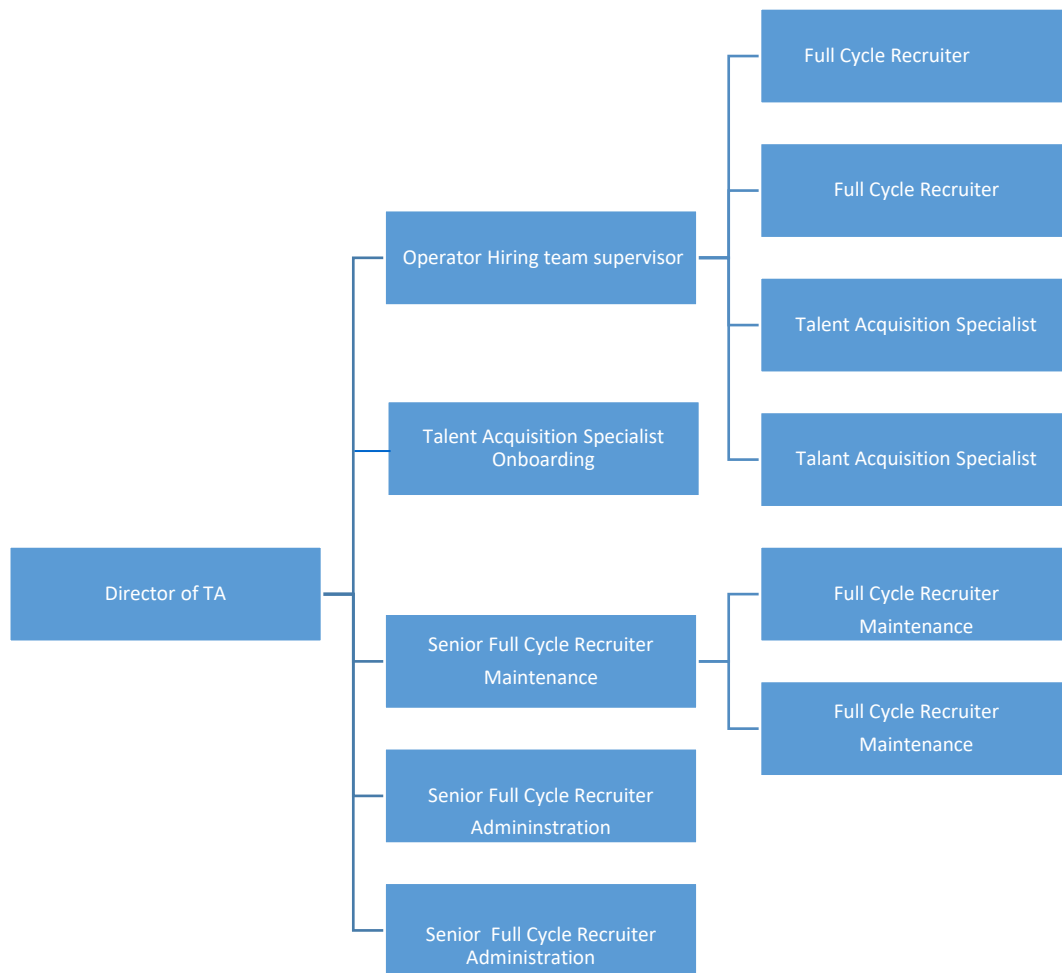
Priority: Low

##### Recommendation:

Update the Talent Acquisition team reporting structure

##### Management Response:

The CPO and TA Director were already working on this solution when the audit took place. The addition of the Operator Hiring team Supervisor was completed in September.



#### Recommendation R-23-11-M Assessment Reinstatement

Priority: Low

##### Recommendation:

Reinstate assessments for certain positions and begin testing as appropriate.

**Management Response:**

The Chief People Officer (CPO) and the Talent Acquisition (TA) Director agree with this recommendation and have done the following.

- Moved the Rail testing program from in classroom to virtual Online .
- Began pilot leveraging an online Assessment designed to help measure “Job Fit” for Operator Hiring in August 2023.
- Partnering with CriteriaCorp to provide guidance on customizing our Candidate Assessment tools currently available through their assessment portal.

**Recommendation R-23-11-N Candidate Sourcing****Priority: Low****Recommendation:**

Instill proactive candidate sourcing as a norm

**Management Response:**

The CPO and TA Director agree with increasing proactive candidate sourcing, as resources become available and as the HRIS system is updated. In the interim, the TA Director has identified ways to increase sourcing through partnerships and other technology solutions, including:

- Increasing Resume database sourcing
  - Purchasing more Indeed database licenses in 2023.
- UTA database
- Build Drip Campaigns and internal Recruitment Marketing Campaigns by leveraging the ATS.

**Recommendation R-23-11-O Communicating Compensation Benchmarking Results****Priority: Low****Recommendation:**

Communicate and educate Hiring Managers on Compensation Benchmarking results

**Management Response:**

The CPO acknowledges compensation is often misunderstood by hiring managers. At this time, all benchmark summaries are explained to the manager at the time the job is designed and compensated. UTA rolled out an updated Salary Structure in 2023 and updated the policy to simplify the compensation process. Compensation staff did training with the Senior Leadership Team on the new policy.



U T A

# Utah Transit Authority

## MEETING MEMO

669 West 200 South  
Salt Lake City, UT 84101

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**Audit Committee**

**Date:** 10/16/2023

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**TO:** Audit Committee  
**THROUGH:** Jay Fox, Executive Director  
**FROM:** Chair Carlton Christensen  
**PRESENTER(S):** Chair Carlton Christensen

**TITLE:**

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**Discussion Regarding Deployment of Security Personnel, Devices, or Systems**

**AGENDA ITEM TYPE:**

Closed Session

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**RECOMMENDATION:**

Approve moving to a closed session for discussion regarding deployment of security personnel, devices, or systems.

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**BACKGROUND:**

Utah Open and Public Meetings Act allows for the Audit Committee to meet in a session closed to the public for various specific purposes.

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**DISCUSSION:**

The purpose for this closed session is:

- Discussion regarding deployment of security personnel, devices, or systems